

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
North Star Reinsurance
Corporation,

Plaintiff,

- against -

Harel Insurance Company
f/k/a Zion Insurance Company
Limited

Defendant,

-----x
State of New Jersey)
)
County of Essex)

Mark D. Hoerrner, being duly sworn, deposes and states:

1. I am a member of the Bar of this Court and am a shareholder with the firm of Budd Larner, P.C., attorneys for plaintiff in the above-entitled action and I am familiar with all the facts and circumstances in this action.
2. I make this affidavit pursuant to Rule 55.1 and 55.2(b) of the Civil Rules for the Southern District of New York, in support of plaintiff's application for entry of a default judgment against defendant.
3. Jurisdiction of the subject matter of this action is based on 28 U.S.C. §1332 because there is diversity of citizenship among the parties and the amount in controversy exceeds \$75,000.
4. This is an action to recover a sum certain owed by defendant to plaintiff for unpaid balances of the Final Award of the arbitration panel. Attached hereto as exhibit A is a true and correct copy of the Final Award dated April 4, 2007.

08 Civ. 02380 (DAB)

**AFFIDAVIT FOR
DEFAULT JUDGMENT
AND STATEMENT OF
DAMAGES**

5. This action was commenced on March 7, 2008 by the filing of a summons. Attached hereto as exhibit B is a true and correct copy of the summons dated March 7, 2008.

6. A copy of the summons was served on defendant on March 10, 2008 by personal service on Mendes and Mount who, pursuant to the contract between the parties, is defendant's agent for service of process. Service was made by personal delivery, and proof of service by the Special Process Server was filed. Attached hereto as exhibit C is a true and correct copy of the Affidavit of Service dated March 17, 2008.

7. The defendant has not answered the complaint and the time for the defendant to answer the complaint has expired. Attached hereto as exhibit D is a true and correct copy of the Petition to Confirm the Arbitration Award dated March 5, 2008.

8. The default of Zion was noted by the Clerk on June 5, 2008. Attached hereto as exhibit E is a true and correct copy of the Clerk's Certificate dated June 5, 2008.

9. Under the Final Award of the arbitrator Zion was ordered to pay North Star \$224,615.34. This total amount is the sum of (a) \$152,439.44 for amounts billed and outstanding under the Treaties at January 21, 2007; and (b) \$57,175.90 for interest accrued on the balances through December 20, 2006; and (c) \$15,000 for costs associated with bringing the arbitration.

10. The Final Award ordered that North Star would advise defendant of its share of reserves under the treaties as at December 31, 2006 and that defendant would be required to conform to the terms of an existing Letter of Credit to Article XI of the Treaties with regard to its share of North Star's reserves, as of the time of the Final Award and in the future. As of June 30, 2008, the share of defendant's reserves is \$29,925.

11. In the event defendant did not make the required payments, the Final Award authorized North Star to draw down a provided a Letter of Credit in the amount of \$172,470. Because of defendant's complete failure to pay the Award, North Star drew down the full amount of the Letter of Credit. Accordingly, there is currently no letter of credit issued for the benefit of North Star.

12. The Final Award grants North Star interest on any outstanding amounts at the compounded at a rate of 9% per annum.

13. The Final Award orders that all of Zion's obligations under the treaties remain in full force and effect. Zion is ordered to pay all future billings under the treaties within 30 days of receipt from either North Star or the broker. Amounts not paid by the 30th day shall accrue interest at the compounded rate of 9% per annum from the 31st day forward.

14. This action seeks judgment for the amount of \$68,604.04, which is calculated as follows: (a) \$56,450.58, which represents the difference between the total amount required in paragraph 2 of the Final Award (\$224,615.34) and the drawn Letter of Credit (\$172,470) equal to \$52,145.34, plus interest in the amount of \$4,305.24; and (b) \$12,153.46 which represents \$11,538.65 in billings submitted by plaintiff in the time since the award in this matter, plus interest at the compounded rate of 9% per annum equal to \$614.81.

15. This action also seeks judgment requiring Zion to post \$29,925 in security for its share of North Star's reserves for losses as per the Final Award of the arbitration panel, which is justly due and owing.

16. This action also seeks judgment requiring Zion to pay all future billings within 30 days of receipt from the broker or North Star.

17. Future billings not paid within 30 days will begin to accrue interest at the compounded rate of 9% per annum.

18. Defendants should pay reasonable attorney's fees in the amount of \$15,520.50 for costs associated with enforcing the Final Award.

19. The disbursements sought to be taxed have been made in this action or will necessarily be made herein.

WHEREFORE, plaintiff requests the entry of Default and the entry of the annexed Judgment against defendant.

Dated: Short Hills, New Jersey
July 16, 2008

BUDD LARNER, P.C.
150 John F. Kennedy Parkway
Short Hills, NJ 07078-2703
(973) 379-4800 (phone)
mhoerrner@budd-larner.com (e-mail)

Attorneys for North Star Reinsurance
Corporation

By: Mark D. Hoerrner
Mark D. Hoerrner

Sworn to before me this 16th
Day of July, 2008.

Rosemary Bonocore
Notary Public

w.678331

ROSEMARY A. BONOCORE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 8, 2009

EXHIBIT A

In the Matter of Arbitration Between:)
)
NORTH STAR REINSURANCE)
CORPORATION,) Susan E. Grondine, Arbitrator/Umpire
Petitioner)
)
-and-)
HAREL INSURANCE COMPANY)
f/k/a ZION INSURANCE COMPANY)
LIMITED,)
Respondent)

FINAL AWARD

In the Matter of Arbitration between North Star Reinsurance Corporation ("North Star") and Harel Insurance Company f/k/a, and successor-in-interest to, Zion Insurance Company Limited ("Harel"), a hearing was held in New York City, NY pursuant to an agreement of the Parties and by contracts known as the First and Second Excess of Loss Reinsurance Treaties ("Treaties"). Considering all of the documentary and testimonial evidence presented during the full course of this Arbitration and hearing the arguments of the Parties by their representatives, I hereby rule as follows:

1. The Treaties are valid and enforceable and bind Harel to a .05% share as described in the Addendum 1 and Addendum 5 of the Treaties.
2. On or before May 4, 2007 Harel is ordered to pay North Star the following sums (USD):
 - A. \$152,439.44 for amounts billed and outstanding under the Treaties at January 21, 2007;
 - B. \$57,175.90 for interest accrued on the balances through December 20, 2006;
 - C. \$15,000.00 for costs associated with bringing this Arbitration.
3. On or before May 15, 2007, North Star shall advise Harel of its share of reserves under the Treaties as at December 31, 2006.

4. On or before May 31, 2007 Harel is ordered to conform to the terms of the Letter of Credit Article XI of the Treaties with regard to its share of North Star's reserves, now and in the future. For the avoiding doubt Harel shall use one of the banks on the list attached hereto as Appendix A if a letter of credit is used to secure the reserves.
5. Upon confirmation to the Arbitrator that payment has been made pursuant to paragraph 2, and that either a funds held account or fully compliant contract LOC has been established pursuant to paragraph 3, the original letter of combined credit dated December 20, 2006 ("Letter of Credit") will be returned to Harel for cancellation.
6. In the event that Harel does not make the required payments or fund its share of reserves as set forth in paragraphs 2 and 3 above, then the Arbitrator will provide North Star with the Letter of Credit and hereby authorizes North Star to immediately draw down the full amount of \$172,470.
7. Any outstanding amounts will accrue interest at the compounded rate of 9% per annum.
8. Harel's obligations under the Treaties remain in full force and effect going forward. Harel is ordered to pay all future billings under the Treaties within 30 days of receipt from the London broker and/or North Star.
9. Any amounts not paid by the 30th day shall accrue interest at the compounded rate of 9% per annum from the 31st day forward.
10. Harel shall retain all rights under the Treaties including, but not limited to, the inspection of records. Should Harel wish to invoke this right, its account must be current at the time of its request. At any and all reasonable times, North Star shall then allow Harel, and or it's duly appointed representatives, to perform such inspection.
11. All other demands and requests by the parties for relief are specifically denied.

12. The Arbitrator retains jurisdiction in this matter in order to effectuate the ultimate disposition of the Letter of Credit as described above. Once the Letter of Credit has been returned to either of the Parties, the Arbitrator shall relinquish such jurisdiction.

Ordered and submitted to the Parties and their respective counsel:

Susan E. Grondine Dated: April 4, 2007
Susan E. Grondine

APPENDIX A

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Section 12. List of Banks

Explanatory Note: State insurance regulators and insurance companies may use this list for an purpose of the purposes discussed in Part Ten of this Manual (*Creation and Maintenance of Bank List*).

A specific banking entity must apply to be listed only once. This means that an insurance company may do business with: (i) a listed domestic parent bank entity, and any of its unlisted domestic branches; (ii) a listed domestic branch of a domestic parent bank entity, the unlisted domestic parent bank entity and any other unlisted domestic branches of the same domestic parent bank entity; and (iii) a listed U.S. branch of a foreign bank entity and any other unlisted U.S. branches of the same foreign parent bank entity.* Notwithstanding the above, any entity related to a domestic listed entity (i.e. parent or branch) may apply to be listed independently.

Any domestic parent bank entity, its domestic branches and U.S. branches of a foreign parent bank entity with no related entity on the list that wants to be listed must apply to the SVO. The procedure for being placed on this list is described in Part Ten, Section 3 of this Manual.

*This policy only applies to banks that share the same legal identity. Banking entities that share the same o similar names but that are separately chartered, and bank subsidiaries, that want to be listed, must apply individually.

Bank Name	City/State	Country
ANZ Banking Group, Ltd.	New York, NY	Australia
AgStar Financial Services, ACA	Mankato, MN	USA
Alliance Bank of Arizona	Phoenix, AZ	USA
Allied Irish Bank	New York, NY	Ireland
Allstate Bank	Vernon Hills, IL	USA
AnSouth Bank	Birmingham, AL	USA
American National Bank	Cheyenne, WY	USA
Anchor Bank Heritage N.A.	North Saint Paul, MN	USA
Arthur State Bank	Union, SC	USA
Associated Bank, N.A.	Green Bay, WI	USA
BNP Paribas	New York, NY	France
BancFirst	Oklahoma City, OK	USA
Banca Intesa	New York, NY	Italy
Banca Nazionale del Lavoro SpA	New York, NY	Italy
Banca di Roma S.p.A.	New York Branch	Italy
Banco Bilbao Vizcaya Argentaria	New York, NY	Spain
Banco Santander Central Hispano	New York, NY	Spain
Bank of Agriculture & Commerce	Stockton, CA	USA
Bank of Albuquerque, N.A.	Albuquerque, NM	USA
Bank of America, N.A.	Los Angeles, CA	USA
Bank of Arizona, N.A.	Phoenix, AZ	USA
Bank of Arkansas, N.A.	Fayetteville, AR	USA
Bank of Hawaii	Honolulu, HI	USA

Bank of Lancaster County, N.A.	Strasburg, PA	USA
Bank of Montreal	Chicago, IL	Canada
Bank of Oklahoma, N.A.	Tulsa, OK	USA
Bank of Scotland	New York, NY	U.K.
Bank of Stockton	Stockton, CA	USA
Bank of Texas, N.A.	Dallas, TX	USA
Bank of Tokyo-Mitsubishi UFJ Trust Company	New York, NY	Japan
Bank of the West	Los Angeles, CA	USA
Bankers Trust Company	Des Moines, IA	United Kingdom
Barclays Bank PLC	New York, NY	Germany
Bayerische Hypo- und Vereinsbank, A.G.	New York, NY	Germany
Bayerische Landesbank	New York, NY	USA
Boone County National Bank	Columbia, MO	USA
Branch Banking and Trust Company	Charlotte, NC	USA
Brown Brothers Harriman & Company	New York, NY	USA
Brown Brothers Harriman Trust Company, LLC	New York, NY	USA
California Bank & Trust	Los Angeles, CA	France
Calyon	New York, NY	Canada
Canadian Imperial Bank of Commerce	New York, NY	USA
Capital One Bank, N.A.	New Orleans, LA	USA
Caroline First Bank	Greenville, SC	USA
Chambers Bank	Danville, AR	USA
Charter One Bank, N.A.	Cleveland, OH	USA
Chester National Bank	Chester, IL	USA
Chittenden Trust Company	Burlington, VT	USA
Chitbank, N.A.	New York, NY	USA
Citizens Bank (Delaware)	Wilmington, DE	USA
Citizens Bank New Hampshire	Manchester, NH	USA
Citizens Bank of Connecticut	New London, CT	USA
Citizens Bank of Massachusetts	Boston, MA	USA
Citizens Bank of Pennsylvania	Philadelphia, PA	USA
Citizens Bank of Rhode Island	Providence, RI	USA
Citizens Bank, N.A.	Albany, NY	USA
Citizens National Bank of Greater St Louis	Maplewood, MO	USA
City National Bank	Beverly Hills, CA	USA
CoBank, ACB	Greenwood Village, CO	USA
CoBiz Bank, N.A.	Denver, CO	USA
Colonial Bank National Association	Montgomery, AL	USA
Colorado State Bank & Trust, N.A.	Denver, CO	USA
Columbus Bank and Trust Company	Columbus, GA	USA
Comerica Bank	Detroit, MI	USA
Commerce Bank, N.A.	Cherry Hill, NJ	USA
Commerce Bank, N.A.	Kansas City, MO	USA
Commerzbank, A.G.	New York, NY	Germany
Commonwealth Bank of Australia	New York, NY	Australia
Community Bank & Trust	Clarks Summit, PA	USA
Compass Bank	Birmingham, AL	USA
Credit Industriel et Commercial	New York, NY	France

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Credit Suisse	New York Branch	Switzerland
Credit Suisse	The Cayman Islands Branch	Switzerland
Danversbank	Dauphin, MA	USA
Deutsche Bank Trust Company Americas	Jersey City, NJ	USA
DaB Nor Bank ASA	New York, NY	Norway
Dresdner Bank, A.G.	New York, NY	Germany
East West Bank	San Marino, CA	USA
Farm Credit West, ACA	San Marino, CA	USA
Farm Credit of Central Florida, ACA	Lakeland, FL	USA
Federal Home Loan Bank	Des Moines, IA	USA
Fifth Third Bank	Cincinnati, OH	USA
First Bank	St. Louis, MO	USA
First Citizens Bank & Trust Company	Raleigh, NC	USA
First Hawaiian Bank	Honolulu, HI	USA
First Interstate Bank	Sheridan, WY	USA
First National Bank of Arizona	Scottsdale, AZ	USA
First National Bank of Fort Smith	Fort Smith, AR	USA
First National Bank of Nevada	Reno, NV	USA
First National Community Bank	Dunmore, PA	USA
First Republic Bank	San Francisco, CA	USA
First United Bank and Trust Company	Durant, OK	USA
Frost National Bank	San Antonio, TX	USA
Fulton Bank	Lancaster, PA	USA
GB Capital Financial, Inc.	Salt Lake City, UT	USA
Gainesville Bank & Trust	Gainesville, GA	USA
Greater Bay Bank N.A.	San Francisco, CA	USA
Guaranty Bank	Austin, TX	USA
HSBC Bank USA	Buffalo, NY	Germany
HSH Nordbank AG	New York, NY	USA
Harris N.A.	Chicago, IL	USA
Huntington National Bank	Columbus, OH	USA
IberiaBank	Lafayette, LA	USA
Independence Community Bank	Brooklyn, NY	USA
Intrust Bank, N.A.	Wichita, KS	USA
KBC Bank, N.V.	New York, NY	Belgium
KeyBank National Association	Cleveland, OH	USA
LaSalle Bank Midwest	Troy, MI	USA
Lakeside Bank	Chicago, IL	Germany
Landesbank Baden-Wuerttemberg	New York, NY	Germany
Landesbank Hessen-Thuringen Girozentrale	New York, NY	USA
Lehman Brothers Bank, FSB	Wilmington, DE	United Kingdom
Lloyds TSB Bank Plc	New York, NY	USA
M&I Marshall & Ilsley Bank	Milwaukee, WI	USA
Manufacturers and Traders Trust Co.	Buffalo, NY	USA
Mellon Bank, N.A.	Pittsburgh, PA	USA
Mercantile Bank	Orlando, FL	USA
Merrill Lynch Bank USA	Salt Lake City, Utah	USA
Mid Penn Bank	Millersburg, PA	USA

Mizuho Corporate Bank USA	New York, NY	Japan
Morgan Stanley Bank	West Valley City, UT	USA
Morton Community Bank	Morton, IL	USA
Natexis Banque	New York, NY	France
National Australia Bank Ltd.	New York, NY	Australia
National Bank of Canada	New York, NY	Canada
National City Bank	Cleveland, OH	USA
National Penn Bank	Boyertown, PA	USA
Norddeutsche Landesbank-Girozentrale	New York, NY	Germany
Nordea Bank Finland Plc.	New York, NY	Finland
North Fork Bank	McEvilla, NY	USA
Oxford Bank and Trust	Addison, IL	USA
PNC Bank, National Association	Pittsburgh, PA	USA
Pacific Capital Bank N.A.	Santa Barbara, CA	USA
Pacific Continental Bank	Eugene, OR	USA
Penn Security Bank and Trust Company	Scranton, PA	USA
Prosperity Bank	El Campo, TX	Canada
RBC Centura Bank	Charlotte, NC	Netherlands
Rabobank International	New York, NY	USA
Regions Bank	Montgomery, AL	USA
Republic Bank & Trust Company	Louisville, KY	USA
Rivervale Bank	Vicksburg, MS	Canada
Royal Bank of Canada	New York, NY	United Kingdom
Royal Bank of Scotland Plc.	New York, NY	USA
S&T Bank	Indiana, PA	Italy
SANPAOLO DMI S.p.A.	New York, NY	USA
Security State Bank of Hibbing	Hibbing, MN	USA
Signature Bank	New York, NY	USA
Silicon Valley Bank	Santa Clara, CA	USA
Sky Bank	Salineville, OH	France
Societe Generale	New York, NY	USA
Southern Bank and Trust Company	Mount Olive, NC	United Kingdom
Sovereign Bank, FSB	Boston, MA	USA
Standard Chartered Bank	New York, NY	USA
State Bank & Trust	Fargo, ND	USA
State Street Bank and Trust Company	Boston, MA	USA
Sterling Bank	Houston, TX	Japan
Sumitomo Mitsui Banking Corp.	New York, NY	USA
Summit Bank, N.A.	Fort Worth, TX	USA
SunTrust Banks, Inc.	Atlanta, GA	USA
Svenska Handelsbanken AB	New York, NY	Sweden
Synovus Bank of Tampa Bay	St. Petersburg, FL	USA
TD BankNorth, N.A.	Montpelier, VT	USA
Texas Capital Bank, NA	Dallas, TX	USA
The Bank of New York	New York, NY	Japan
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	New York, NY	USA
The Bank/Fifth Citizens Bank	Cleveland, TN	USA
The Dime Bank	Honesdale, PA	USA

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The F&M Bank & Trust Company
 The First National Bank & Trust Co. of Iron Mountain
 The First National Bank of Long Island
 The First State Bank of Arcadia
 The Marin National Bank
 The Mechanics Bank
 The National Bank of Indianapolis
 The National Bank of South Carolina
 The Northern Trust Company
 The Shizuka Bank
 The Southwest National Bank
 The Toronto-Dominion Bank
 Trustmark National Bank
 U.S. Bank National Association
 UMB Bank N.A.
 Umpqua Bank
 Union Bank of California, N.A.
 United Commercial Bank
 United Community Bank
 United States Trust Company, National Association
 W.T.B. Financial Corporation
 Wachovia Bank, N.A.
 Webster Bank, N.A.
 Wells Fargo Bank
 Wells Fargo Bank Alaska
 West Coast Bank
 West Suburban Bank
 WestLB AG
 Westamerica Bank
 Westfield Bank
 Westpac Banking Corporation
 Whitney National Bank
 Wilmington Trust Company
 Zions First National Bank

Tulsa, OK	USA
Iron Mountain, MI	USA
Huntington, NY	USA
Arcadia, FL	USA
Mars, PA	USA
Walnut Creek, CA	USA
Indianapolis, IN	USA
Columbia, ME	USA
Chicago, IL	Japan
New York Agency	USA
Wichita, KS	Canada
New York, NY	USA
Jackson, MS	USA
Saint Paul, MN	USA
Kansas City, MO	USA
Portland, OR	USA
San Francisco, CA	USA
San Francisco, CA	USA
Chatham, IL	USA
New York, NY	USA
Spokane, WA	USA
Winston-Salem, NC	USA
Hartford, CT	USA
San Francisco, CA	USA
Anchorage, AK	USA
Wilsonville, OR	USA
Lombard, IL	Germany
New York, NY	USA
Suisun City, CA	USA
Westfield, MA	Australia
New York, NY	USA
New Orleans, LA	USA
Wilmington, DE	USA
Salt Lake City, UT	USA

*Banks which were previously on the list but which have not paid the required \$220.00 annual maintenance fee
have been removed from the list.

July 1, 2006

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EXHIBIT B

JUDGE BATTIS
Southern

UNITED STATES DISTRICT COURT

North Star Reinsurance Corporation

District of

New York

SUMMONS IN A CIVIL CASE

V.

Harel Insurance Company f/k/a Zion Insurance
Company Limited

CASE NUMBER:

08 CV 02380

TO: (Name and address of Defendant)

Harel Insurance Company
f/k/a Zion Insurance Company Limited
3 Abba Hillel Street, P.O.B. 1951
Ramat Gan, Israel 52118**YOU ARE HEREBY SUMMONED** and required to serve upon PLAINTIFF'S ATTORNEY (name and address)Joseph J. Schiavone, Esq.
Budd Larner, P.C.
150 John F. Kennedy Parkway
Short Hills, New Jersey 07078
Attorneys for Petitioner
North Star Reinsurance Corporation

I answer to the complaint which is herewith served upon you, within twenty (20) days after service of this summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. You must also file your answer with the Clerk of this Court within a reasonable period of time after service.

J. MICHAEL McMAHON

MAR 07 2008

ERK

DATE

DEPUTY CLERK

O 440 (Rev. 10/93) Summons in a Civil Action

RETURN OF SERVICEService of the Summons and complaint was made by me⁽¹⁾

DATE

NAME OF SERVER (*PRINT*)

TITLE

Check one box below to indicate appropriate method of service Served personally upon the defendant. Place where served: _____ Left copies thereof at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion then residing therein.

Name of person with whom the summons and complaint were left: _____

 Returned unexecuted: _____ Other (specify): _____**STATEMENT OF SERVICE FEES**

NAME	SERVICES	TOTAL

DECLARATION OF SERVER

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on _____

Date _____

Signature of Server _____*Address of Server* _____

EXHIBIT C

United States District Court Of New York
Southern District

Docket Number
08 CV 02380

North Star

Vs

Affidavit of Service

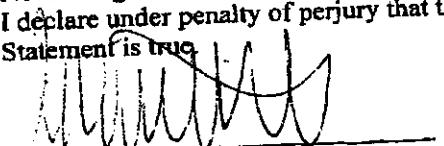
Zion

.....
State Of New York

I Melvin Westreich delivered a Summons, Notice of Petition to Confirm Arbitration Award, Petition to Confirm Arbitration Award, Notice of Motion to File Under Seal Confidential Exhibits to the Declaration of Joseph J. Schiavone, Declaration of Joseph J. Schiavone in Support of Petition to Confirm and Motion to Seal, Memorandum of Law in Support of Petition to Confirm Arbitration Award and Motion to Seal, Order to Seal, Declaration of Robert Edgeworth in Support of Motion for Leave to File Under Seal Confidential Exhibits to the declaration of Joseph J. Schiavone, Notice of Lodging Confidential Documents with Court and Rule 7.1 Disclosure. This was served on Monday, March 10, 2008 on Mendes and Mount 750 7th Avenue New York. I was not allowed upstairs in the building and was told I must serve it in the mail room. Ed Murray from the mail room accepted at 2:15pm.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements are willfully false, I am subject to punishment.

I Melvin Westreich
Was at the time of service a competent adult
Not having a direct interest in the litigation.
I declare under penalty of perjury that the foregoing
Statement is true.


Signature of Process Server

3-17-08
Date

Sworn to on this 17 day of March, 2008


Notary Signature

JOSEPH L. HORN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Aug. 3, 2008

EXHIBIT D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In the Matter of the Arbitration : Docket No. _____
Between: :
:
NORTH STAR REINSURANCE CORPORATION, :
Petitioner, : PETITION TO CONFIRM
: ARBITRATION AWARD
:
-against- :
:
HAREL INSURANCE COMPANY f/k/a ZION :
INSURANCE COMPANY LIMITED, :
:
Respondent. :

Petitioner North Star Reinsurance Corporation ("North Star"), by and through its attorneys, Budd Larner, P.C., alleges as follows:

Nature of the Petition

1. This is a Petition pursuant to 9 U.S.C. §§9 and 201-203 to confirm a Final Award issued on April 4, 2007 in a reinsurance arbitration between the parties entitled "In the Matter of the Arbitration Between North Star, Petitioner, against Harel Insurance Company f/k/a Zion Insurance Company Limited, Respondent."

2. This action arises under the Federal Arbitration Act because the reinsurance contracts at issue evidence transactions involving commerce among the several states.

The Parties, Jurisdiction and Venue

3. North Star is a corporation organized and existing under the laws of the State of Delaware. Its principal place of business is at 695 East Main Street, Stamford, Connecticut 06901.

4. Upon information and belief, Respondent Zion Insurance Company Limited ("Zion") is a foreign corporation organized under the laws of the Israel which was subsequently acquired by Harel Insurance Company, a foreign corporation organized under the laws of Israel, with its principal place of business in Ramat Gan, Israel.

5. The Court has federal question jurisdiction over this matter pursuant to 28 U.S.C. §1331 and 9 U.S.C. §201-203. The arbitration agreements at issue are contained in retrocessional reinsurance contracts between North Star and Zion. Those contracts constitute commercial agreements between a citizen of the United States and a citizen of a foreign country. The United States and the foreign country, Israel, are signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 9 U.S.C. §201 et seq.

6. The Court has jurisdiction over this action pursuant to 28 U.S.C. §1332 because there is diversity of citizenship between the parties and the amount in controversy exceeds the sum of \$75,000.

7. Venue is proper in this district pursuant to 28 U.S.C. §1391 (b) (2) and 9 U.S.C. §204 because the contracts between North Star and Zion provide for the arbitration to take place in New York with New York law to be applied and the Award was made in this District. Additionally, venue is proper under 28 U.S.C. §1391(c) as Zion is subject to service of process in this district.

Factual Background

A. The Retrocessional Contracts and Arbitration Clauses

8. Reinsurance enables an insurance company to insure its liability under insurance policies that it issues to its insureds. In reinsurance, the insurer (often referred to in this context as the "cedent") transfers a portion of its liability to a reinsurer.

9. A retrocessional contract is reinsurance for the benefit of a reinsurer. In this context, the assuming company is sometimes referred to as the "retrocessionaire."

10. North Star and Zion entered into two treaties of retrocessional reinsurance (the "Contracts") under which Zion, as the retrocessionaire, provides certain reinsurance coverage to North Star. Copies of these contracts, effective July 1, 1970 through June 30, 1971, are attached to the Declaration of Joseph J. Schiavone, dated March 5, 2008 ("Schiavone Decl.") as Exhibits A and B, respectively.

11. The Contracts contain arbitration clauses that provide in part that any dispute arising out of the Contracts shall be referred to arbitration. Id. at Exhibit A, Article XVII; Exhibit B, Article XVII.

12. The Contracts further state that the decision arising from the arbitration shall be final and binding upon the contracting parties. Id.

B. The Arbitration

13. By letter dated May 15, 2006, North Star demanded arbitration against Zion to recover amounts due under the Contracts.

14. At Zion's request, the parties agreed to proceed with the arbitration before Susan E. Grondine as sole Arbitrator/Umpire (the "Arbitrator/Umpire").

15. The arbitration was conducted pursuant to a Confidentiality Agreement, which remains in effect. Schiavone Decl. at Exhibit C.

16. Upon North Star's motion, the Arbitrator/Umpire issued an Interim Ruling requiring Zion to post pre-hearing security in the amount of \$172,470.

17. Following discovery, the parties submitted pre-hearing briefs and attended an arbitration hearing on March 5, 2007.

18. The Arbitrator/Umpire issued a Final Award on April 4, 2007 ordering Zion to pay a total of \$224,615.24, consisting of

outstanding claim balances, interest on the outstanding balances and costs for bringing the arbitration. Schiavone Decl. at Exhibit D.

19. Zion was also ordered to post and maintain security for its share of North Star's reserves on a prospective basis.

Id.

20. The Final Award specified that the contracts remained in full force and Zion had to pay all future billings within 30 days of receipt. Id.

21. With respect to all unpaid billings, the Final Award provided that interest accrued at a rate of 9% per annum, compounded. Id.

22. By letter of April 16, 2007, North Star informed Zion that Zion's share of the reserves as of that date was \$33,992.

23. By E-mail dated May 7, 2007, Zion's counsel indicated that Zion had not made payment by the May 4, 2007 deadline, offering no explanation or reasoning.

24. By letter of June 20, 2007, North Star wrote the Arbitrator/Umpire notifying her of Zion's disregard of the Final Award and requesting relief in the form of a Supplemental Final Award.

25. The Arbitrator/Umpire elected not to issue the proposed Supplemental Final Award due to lack of jurisdiction over matters subsequent to the Final Award.

26. North Star has drawn down the pre-hearing security posted by Zion, but pursuant to the Final Award, is still owed an additional balance and interest thereon since the date of the Final Award, totaling \$69,262.24. Schiavone Decl. at Exhibit E. Zion is also required to post \$25,433 in security for its share of North Star's reserves for losses on a prospective basis. Id.

Count I

27. North Star incorporates each of the allegations contained in paragraphs 1 through 15 of this Petition.

28. No grounds exist to vacate or modify the Award nor was any motion made to vacate, modify, or correct the Award within the three month limitation proscribed by 9 U.S.C. §12.

29. This Petition is timely because it is filed within one year after the Award was made.

30. North Star is entitled to confirmation of the April 4, 2007 Final Award pursuant to the Federal Arbitration Act, 9 U.S.C. §1 et seq. and 9 U.S.C. §§201 et seq.

WHEREFORE, North Star requests that the Court enter judgment confirming the April 4, 2007 Final Award and granting North Star post-award interest and such other further relief as is just and proper.

Dated: March 5, 2008
Short Hills, New Jersey

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- and -

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Attorneys for Petitioner North
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BY: 
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655730.w

EXHIBIT E

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-x-----x

North Star Reinsurance
Corporation,

08 Civ. 02380

CLERK'S CERTIFICATE

- against -

Harel Insurance Company
f/k/a Zion Insurance Company
Limited

-x-----x

I, J. MICHAEL MCMAHON, Clerk of the United States District Court for the Southern District of New York, do hereby certify that this action commenced on March 7, 2008 with the filing of a summons, a copy of the summons was served on defendant by serving Mendes and Mount, 750 7th Avenue, New York, New York, by hand delivery of Melvin Westreich to the mail room on March 10, 2008, and proof of such service thereof was filed on March 17, 2008.

I further certify that the docket entries indicate that the defendant has not filed an answer or otherwise moved with respect to the petition herein. The default of the defendant is hereby noted.

Dated: New York, New York

4/5/08

J. MICHAEL MCMAHON
Clerk of the Court

By:


Deputy Clerk